
**INCORPORATED HAMLET OF TUKTOYAKTUK
TUKTOYAKTUK, NT**

**FINANCIAL STATEMENTS
For the year ended March 31, 2017**

INCORPORATED HAMLET OF TUKTOYAKTUK

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March 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Mayor and Councillors
Incorporated Hamlet of Tuktoyaktuk

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and with the Hamlets Act, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Hamlet Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Council. The Council reviews internal financial statements on a regular basis and external audited financial statements yearly.

The external auditors, Avery Cooper & Co. Ltd., Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Incorporated Hamlet of Tuktoyaktuk and meet when required.



for/ Duncan Walker
Senior Administrative Officer
Incorporated Hamlet of Tuktoyaktuk

June 27, 2017



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INDEPENDENT AUDITORS' REPORT

Mayor and Councillors
Incorporated Hamlet of Tuktoyaktuk
Tuktoyaktuk, Northwest Territories

Report on the Financial Statements

We have audited the accompanying financial statements of Incorporated Hamlet of Tuktoyaktuk, which comprise the Statement of Financial Position as at March 31, 2017 and the Statements of Operations and Accumulated Surplus, Changes in Net Financial Assets (Debt) and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and the Hamlets Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion these financial statements present fairly, in all material respects, the financial position of the Hamlet as at March 31, 2017 and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



AVERY COOPER IS A MEMBER OF MSI, AN INTERNATIONAL ASSOCIATION OF INDEPENDENT PROFESSIONAL FIRMS

INDEPENDENT AUDITORS' REPORT (cont'd)

Report on Other Legal and Regulatory Requirements

We report that, in our opinion, these financial statements are prepared, in all material respects, in accordance with the policies and standards prescribed for municipalities by the Hamlets Act and by the Department of Municipal and Community Affairs, Government of the Northwest Territories. As required by Section 105 of the Hamlets Act we further report that, in our opinion, proper books of account have been maintained by the Hamlet, the financial statements are in agreement therewith and the transactions that have come under our notice have, in all significant respects, been within the statutory powers of the Hamlet except as outlined in Note 19 to the financial statements. As required by Section 105 of the Hamlets Act we report that, in our opinion these principles have been applied on a basis consistent with that of the preceding year.

Other matter

Our audit was conducted for the purpose of forming an opinion on the financial statements of Incorporated Hamlet of Tuktoyaktuk taken as a whole. The supplementary information included on various schedules is presented for purposes of additional information. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of financial statements taken as a whole.

Avery Cooper & Co. Ltd.

AVERY COOPER & CO. LTD.
Chartered Professional Accountants
Yellowknife, NT

June 27, 2017

INCORPORATED HAMLET OF TUKTOYAKTUK

STATEMENT OF FINANCIAL POSITION
March 31, 2017

Statement I

	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash and Cash Equivalents (Note 2)	\$ 3,666,260	\$ 4,156,920
Trade and Other Receivables (Note 4)	<u>866,275</u>	<u>1,356,335</u>
Total Financial Assets	<u>4,532,535</u>	<u>5,513,255</u>
Liabilities		
Accounts Payable and Accrued Liabilities (Note 5)	1,349,578	926,760
Wages and Benefits Payable	111,942	146,913
Deferred Revenue (Note 6)	3,193,242	4,294,992
Severance Liability	<u>110,427</u>	<u>96,277</u>
Total Liabilities	<u>4,765,189</u>	<u>5,464,942</u>
Net Financial Assets (Debt) (Statement III)	<u>(232,654)</u>	<u>48,313</u>
Non-Financial Assets		
Tangible Capital Assets (Schedule 1)	8,229,724	7,980,426
Inventory for consumption	1,089,520	173,663
Prepaid Expenses	<u>-</u>	<u>5,812</u>
Total Non-financial Assets	<u>9,319,244</u>	<u>8,159,901</u>
Accumulated Surplus (Statement II)	<u>\$ 9,086,590</u>	<u>\$ 8,208,214</u>
CONTINGENT LIABILITIES (Note 14)		

Approved on Behalf of the Incorporated Hamlet of Tuktoyaktuk:



Mayor



Senior Administrative Officer

See the attached notes and schedules

INCORPORATED HAMLET OF TUKTOYAKTUK

Statement II

**STATEMENT OF OPERATIONS AND
ACCUMULATED SURPLUS**

For the Year Ended March 31, 2017

	Schedule	2017 Budget (Unaudited)	2017 <u>Actual</u>	2016 <u>Actual</u>
Revenues				
Government Transfers for Operations		\$ 2,775,180	\$ 3,485,589	\$ 2,727,176
Government Transfers for Capital		-	1,557,319	1,253,405
Water and Sewer Customer Charges		1,040,422	1,034,089	1,188,436
Solid Waste Charges		120,000	114,800	115,250
Fees, Permits, Licenses and Fines		124,444	203,527	100,482
Investment Income		-	18,158	18,056
Contracts		18,000	20,843	141,508
Other		<u>231,500</u>	<u>281,684</u>	<u>331,786</u>
Total Revenues		<u>4,309,546</u>	<u>6,716,009</u>	<u>5,876,099</u>
Expenses				
General Government Services	2	796,236	814,514	943,650
Protective Services	3	103,512	163,009	137,835
Transportation and Public Works Services	4	812,832	1,066,121	1,041,539
Recreation Services	5	635,608	865,261	748,673
Environmental and Public Health Services	6	98,000	92,991	82,896
Water and Sewage Services	7	1,741,422	1,966,881	1,950,776
Contract Services	13	-	719,345	430,813
Community Transfer Initiative Programs	14	<u>121,936</u>	<u>149,511</u>	<u>118,565</u>
Total Expenses		<u>4,309,546</u>	<u>5,837,633</u>	<u>5,454,747</u>
Annual Surplus		-	878,376	421,352
Accumulated Surplus, Opening		<u>8,208,214</u>	<u>8,208,214</u>	<u>7,786,862</u>
Accumulated Surplus, Closing		<u>\$ 8,208,214</u>	<u>\$ 9,086,590</u>	<u>\$ 8,208,214</u>

See the attached notes and schedules.

INCORPORATED HAMLET OF TUKTOYAKTUK

Statement III

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)

March 31, 2017

	2017 Budget <u>(Unaudited)</u>	2017 <u>Actual</u>	2016 <u>Actual</u>
Annual Surplus	\$ <u>-</u>	\$ <u>878,376</u>	\$ <u>421,352</u>
Acquisition of tangible capital assets	-	(775,691)	(854,929)
Depreciation of tangible capital assets	-	486,720	458,817
Loss on disposal of tangible capital assets	-	19,673	-
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>20,000</u>	<u>-</u>
Net Change in Tangible Capital Assets	<u>-</u>	<u>(249,298)</u>	<u>(396,112)</u>
Acquisition of prepaid asset	-	-	(3,413)
Use of prepaid asset	<u>-</u>	<u>5,812</u>	<u>1,199</u>
Net Change in Prepaid Assets	<u>-</u>	<u>5,812</u>	<u>(2,214)</u>
Acquisition of inventory	-	(1,024,820)	(516,934)
Use of inventory	<u>-</u>	<u>108,963</u>	<u>378,271</u>
Net Change in Consumable Inventory	<u>-</u>	<u>(915,857)</u>	<u>(138,663)</u>
Decrease in Net Financial Assets	-	(280,967)	(115,637)
Net Financial Assets, Opening	<u>48,313</u>	<u>48,313</u>	<u>163,950</u>
(Net Debt) Financial Assets, Closing	\$ <u>48,313</u>	\$ <u>(232,654)</u>	\$ <u>48,313</u>

See the attached notes and schedules.

INCORPORATED HAMLET OF TUKTOYAKTUK

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2017

Statement IV

	<u>2017</u>	<u>2016</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ <u>878,376</u>	\$ <u>421,352</u>
Non-cash items included in surplus of revenues over expenses		
Depreciation of Tangible Capital Assets	486,720	458,817
Loss on Disposal of Tangible Capital Assets	<u>19,674</u>	<u>-</u>
	<u>506,394</u>	<u>458,817</u>
Cash provided by (used for) changes in non cash operating working capital		
Trade and Other Receivables	490,060	(395,488)
Prepaid Expenses	5,812	(2,214)
Inventory for consumption	(915,857)	(138,663)
Accounts Payable and Accrued Liabilities	422,817	331,189
Wages and Benefits Payable	(34,971)	58,294
Deferred Revenue	(1,101,750)	(166,100)
Severance Liability	<u>14,150</u>	<u>16,633</u>
	<u>(1,119,739)</u>	<u>(296,349)</u>
	<u>265,031</u>	<u>583,820</u>
CAPITAL TRANSACTIONS		
Acquisition of Tangible Capital Assets	(775,691)	(854,929)
Sale of Tangible Capital Assets	<u>20,000</u>	<u>-</u>
Net Acquisition of Tangible Capital Assets	<u>(755,691)</u>	<u>(854,929)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(490,660)	(271,109)
OPENING CASH AND CASH EQUIVALENTS	<u>4,156,920</u>	<u>4,428,029</u>
CLOSING CASH AND CASH EQUIVALENTS	\$ <u>3,666,260</u>	\$ <u>4,156,920</u>
OTHER INFORMATION		
Tangible capital assets included in accounts payable	\$ <u>-</u>	\$ <u>342,445</u>

See the attached notes and schedules.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Hamlet of Tuktoyaktuk are the representations of management prepared in accordance with public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. They are also prepared in accordance with policies prescribed for municipalities by the Hamlets Act of the Northwest Territories and by the Department of Municipal and Community Affairs, Government of the Northwest Territories.

The Municipality is exempt from income tax under Section 149 of the Income Tax Act.

Significant aspects of the accounting policies adopted by the Incorporated Hamlet of Tuktoyaktuk are as follows:

a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, the Water and Sewage Fund and the Reserve Funds and include the activities of all committees of Council. At present, there are no organizations that are owned or controlled by the municipality, other than its own management funds.

All inter-fund assets, liabilities, revenues and expenses are eliminated.

The Hamlet receives significant funding from the Government of the Northwest Territories in the form of operating grants and capital grants. Administration is of the opinion that discontinuance of funding would significantly disrupt operations.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Externally restricted funds and earnings thereon are accounted for as deferred revenue until the related tangible capital assets are acquired or constructed or eligible expenses are incurred.

c) Cash Equivalents

Cash comprises cash on hand and demand deposits. The Hamlet considers any and all highly liquid investments with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and that are subject to insignificant risk of changes in value, to be cash equivalents.

d) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e) Pension Expenses

Contributions for current and past service pension benefits are recorded as expenses in the year in which they become due.

f) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investment. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize that value.

g) Financial Assets

Financial assets, consisting of cash, accounts receivable and inventory for sale, are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

h) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets (Debt) for the year.

i) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from a government for which the government making the transfer does not:

- i) receive any goods or services directly in return;
- ii) expect to be repaid in future; or
- iii) expect a direct financial return.

Operating transfers are recognized as revenue in the period in which the events giving rise to the transaction occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Capital transfers received are initially recognized as deferred revenue and subsequently recognized as revenue when the related tangible capital assets are acquired or constructed or eligible expenses are incurred.

k) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value the date of receipt and also are recorded as revenue.

l) Contributed Materials and Services

The Hamlet recognizes contributions of materials and services, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of operations and would otherwise have been purchased.

m) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. An item is subject to measurement uncertainty when it is reasonably possible that the recognized or disclosed amount could change by a material amount in the near term. Actual results could differ from those estimates.

Significant estimates are used in determining the useful lives of depreciable assets, allowance for doubtful accounts, and allocations of common administrative expenses between funds/programs.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) **Early Adoption of Accounting Standards**

The Hamlet has adopted, on a prospective basis where permissible, the following new accounting standards for its fiscal year commencing April 1, 2016:

- ♦ PS 2200 Related Party Transactions
- ♦ PS 3210 Assets
- ♦ PS 3320 Contingent Assets
- ♦ PS 3380 Contractual Rights
- ♦ PS 3420 Inter-Entity Transactions

o) **Tangible Capital Assets**

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Land improvements	30 - 40
Buildings	15 - 70
Engineered structures	
Water System	35 - 65
Wastewater system	35 - 65
Other engineered structures	10 - 40
Machinery and equipment	5 - 20
Vehicles	3 - 20

100% of the annual amortization is charged in the year of acquisition and 0% in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

p) **Segmented Information**

Hamlet services are provided by departments and segmented financial information on their activities is reported in the schedules. The accounting policies used in these segments are consistent with those followed in preparation of the financial statements as disclosed in Note 1. Revenues not directly attributable to a specific segment are indicated as unallocated items in Note 10. The segments include:

- i) **General Government Services, which provides internal support to council and other departments who provide services to its citizens. These internal departments include the Senior Administrative Officer, Financial services, Information Technology Support, and Human Resources.**
- ii) **Protective Services, which provides services to maintain public order and uphold municipal bylaws and prevention services related to firefighting services.**
- iii) **Transportation and Public Works Services, which provides construction and maintenance of community assets and transportation planning.**
- iv) **Recreation Services, which provides services through a recreation and cultural program.**
- v) **Environmental and Public Health Services which provides refuse removal services and landfill maintenance and provides emergency and prevention related to medical services.**
- vi) **Water and Sewage Services which provides for operations and maintenance related to water distribution and sewage collection.**

NOTE 2 CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
Cash	\$ <u>3,666,260</u>	\$ <u>4,156,920</u>

Cash equivalents are short-term deposits with original maturities of three months or less.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 3 DEPOSITS

<u>Source</u>	<u>Deferred revenue</u>	<u>Reserves</u>	<u>Less amount receivable</u>	<u>Total deposit required</u>	<u>Actual bank deposit</u>	<u>Over (short)</u>
Gas Tax Agreement	\$ 173,819	\$ -	\$ -	\$ 173,819	\$ 930,018	\$ 756,199
Community Capacity Building Fund	-	-	-	-	10,518	10,518
Community Public Infrastructure	2,821,750	-	-	2,821,750	2,279,700	(542,050)
Cash and Temporary Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>446,024</u>	<u>446,024</u>
	<u>\$ 2,995,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,995,569</u>	<u>\$ 3,666,260</u>	<u>\$ 670,691</u>

	<u>2017</u>	<u>2016</u>
Deposits comprise:		
CIBC Chequing	\$ 446,024	\$ (12,735)
CIBC Business Investment Growth #71-78115	930,018	683,167
CIBC Business Investment Growth #71-78212	10,518	10,485
CIBC Business Investment Growth #71-78018	<u>2,279,700</u>	<u>3,476,003</u>
	<u>\$ 3,666,260</u>	<u>\$ 4,156,920</u>

Sufficient funds must be deposited to separate bank accounts to correspond with the respective Restricted balances. Interest earned on these accounts is credited to the appropriate Restricted deposit. As at March 31, 2017, the Hamlet had not complied with this requirement.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 4 ACCOUNTS RECEIVABLE

Particulars of accounts receivable are as follows:

	<u>2017</u>	<u>2016</u>
Contributions Receivable	\$ 489,503	\$ 439,546
Allowance for Doubtful Accounts	<u>(100,316)</u>	<u>(78,238)</u>
	<u>389,187</u>	<u>361,308</u>
Water and Sewage Customer Receivables	353,846	744,852
Allowance for Doubtful Accounts	<u>(96,573)</u>	<u>(62,201)</u>
	<u>257,273</u>	<u>682,651</u>
Other Trade Receivables	172,408	307,592
Allowance for Doubtful Accounts	<u>(71,751)</u>	<u>(77,759)</u>
	<u>100,657</u>	<u>229,833</u>
Goods and Services Tax Receivable	<u>118,433</u>	<u>81,768</u>
Advances	<u>725</u>	<u>775</u>
	<u>\$ 866,275</u>	<u>\$ 1,356,335</u>

NOTE 5 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
GNWT Payable	\$ 27,233	\$ 54,675
Trade and Other Payable	1,279,345	486,640
Accrued Liabilities	43,000	43,000
Tangible Capital Assets Payable	<u>-</u>	<u>342,445</u>
	<u>\$ 1,349,578</u>	<u>\$ 926,760</u>

NOTE 6 DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
Miscellaneous Contract services	\$ 158,946	\$ 73,106
Gas Tax Agreement	173,819	-
Community Capacity Building Fund	-	580
Community Public Infrastructure	<u>2,821,750</u>	<u>4,182,579</u>
Contract services (Schedule 13)	3,154,515	4,256,265
Other services	<u>38,727</u>	<u>38,727</u>
	<u>\$ 3,193,242</u>	<u>\$ 4,294,992</u>

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 7 LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Hamlet operates a solid waste landfill site. Closure and post-closure care activities include the final clay cover, landscaping, as well as surface and ground water monitoring leachate control, and visual inspection, the costs of which are ultimately the responsibility of the GNWT. Accordingly, no provision for the closure and post-closure care liability is included in the financial statements.

NOTE 8 INVENTORY FOR CONSUMPTION

	<u>2017</u>	<u>2016</u>
Gravel	\$ 893,150	\$ -
EK35 - Dust Suppressent	126,173	108,963
Materials	<u>70,197</u>	<u>64,700</u>
	<u>\$ 1,089,520</u>	<u>\$ 173,663</u>

NOTE 9 EQUITY IN TANGIBLE CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Tangible Capital Assets (Schedule 1)	\$ 18,375,497	\$ 17,944,385
Accumulated Depreciation (Schedule 1)	(10,145,773)	(9,963,959)
Accounts Payable	<u>-</u>	<u>(342,445)</u>
	<u>\$ 8,229,724</u>	<u>\$ 7,637,981</u>

NOTE 10 UNALLOCATED AMOUNTS

The following revenues were not allocated to the individual segments reported in the schedules:

- MACA Operations and Maintenance Funding

NOTE 11 COMMITMENTS

The Hamlet is committed to the following:

Nature of Expense	Annual Payment	Expiring
Xerox Leases Contract #514-555-200		
Workcentre 72251	\$ 5,850	December 26, 2021
Workcentre 7835TP1	6,357	December 26, 2021

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 12 GOVERNMENT TRANSFERS

	<u>2017</u>	<u>2016</u>
Operating		
MACA - Operations and Maintenance	\$ 1,782,000	\$ 1,738,000
MACA - Water and Sewage Subsidy	701,000	701,000
MACA - Property Tax Revenue	81,955	72,300
MACA - Recreation Grant	<u>32,000</u>	<u>32,000</u>
	<u>2,596,955</u>	<u>2,543,300</u>
Repayable contributions		
MACA - Advancing Local Government Administrators Program	38,849	50,603
MACA - Clean Water Wastewater Fund	301,797	-
Canadian Northern Economic Development Agency	198,450	-
MACA - Children and Youth Resiliancy	15,000	-
ITI - Economic Development Officer	135,180	118,565
ITI - Sod House	20,000	-
ITI - Various	33,158	14,708
ENR - Waste Reduction and Recycling	20,000	-
DOT - Husky Lakes	50,000	-
INAC - Strategic Visioning and Community Engagement	<u>162,040</u>	<u>-</u>
	974,474	183,876
Transfers (to) from deferred revenue	<u>(85,840)</u>	<u>-</u>
	<u>888,634</u>	<u>183,876</u>
Other restricted funding		
Gas Tax Agreement	353,694	188,306
Small Communities Fund	16,035	-
Community Public Infrastructure	<u>-</u>	<u>899,000</u>
	369,729	1,087,306
Transfers (to) from deferred revenue	<u>1,187,590</u>	<u>166,099</u>
	<u>1,557,319</u>	<u>1,253,405</u>
	<u>\$ 5,042,908</u>	<u>\$ 3,980,581</u>

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 13 ALLOCATED EXPENSES

The Hamlet incurs a number of expenses that are common to the administration of the organization and each of its Funds. Accordingly, common expenses are allocated among Funds consistently each year proportionately on a percentage basis. Insurance expenses are allocated to Funds based on assessed building values. Wages and benefits expenses are allocated based on a percentage of estimated time spent.

Total insurance expense for the year of \$162,613 (2016 - \$156,413) is allocated to General Government, Protective Services, Transportation and Public Works, Recreation Services, Environmental Services, Water and Sewage Services and Contract Services at \$15,339, \$16,267, \$40,601, \$62,799, \$463, \$24,458 and \$2,686, respectively. Wages and benefits expenses for the year totaling \$1,606,435 (2016 - \$1,572,957) is allocated to General Government, Protective Services, Transportation and Public Works, Recreation Services, Water and Sewage Services, Contract Services and Community Empowerment Services at \$403,599, \$2,325, \$456,710, \$240,240, \$352,099, \$38,736 and \$112,726, respectively.

NOTE 14 CONTINGENT LIABILITIES

Insurance

The Hamlet participates in the Northwest Territories Association of Communities insurance programs. Under these programs the Hamlet is insured for property, automotive and general liability. Under the terms of membership, the Hamlet could become liable for its proportionate share of any claim losses in excess of the funds held by the exchange. Any liability incurred would be accounted for as a current transaction in the year the losses are determined. It is the opinion of the Hamlet that losses are unlikely to occur.

NEBS Pension Plan

The Northern Employee Benefits Services Pension Plan is currently in a solvency deficiency position. While the Hamlet does not intend to terminate its participation in the Plan for the foreseeable future, the Hamlet would be obligated, per the NEBS Act, for its share of the solvency deficiency upon withdrawal. The Hamlet's obligation, as Plan Sponsor, would be calculated based on actuarial estimates for all active, deferred and retired employees.

NOTE 15 FINANCIAL INSTRUMENTS

The Incorporated Hamlet of Tuktoyaktuk's financial instruments consist of cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities and wages and benefits payable. It is administration's opinion that the Incorporated Hamlet of Tuktoyaktuk is not exposed to significant interest or currency risks arising from these financial statements.

The Incorporated Hamlet of Tuktoyaktuk is subject to credit risk with respect to accounts receivable. Credit risk arises from the possibility that customers to which the Incorporated Hamlet of Tuktoyaktuk provides services may experience financial difficulty and be unable to fulfill their obligations. The large number and diversity of customers minimizes the credit risk.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 16 NORTHERN EMPLOYEE BENEFITS SERVICES (NEBS) PENSION PLAN

Eligible employees of the Incorporated Hamlet of Tuktoyaktuk are members of the Northern Employee Benefits Services (NEBS) Pension Plan (the Plan), a contributory defined benefit plan. The Plan is administered by NEBS as part of benefits program providing insurance, health care and pension benefits for employees of member employers in the North. NEBS is a member owned, not-for-profit corporation of which the Incorporated Hamlet of Tuktoyaktuk is a member.

Total contributions remitted by the Incorporated Hamlet of Tuktoyaktuk to the NEBS Pension Plan were as follows:

	<u>2017</u>	<u>2016</u>
Employers' contribution	\$ 57,614	\$ 56,331
Employees' contribution	<u>57,614</u>	<u>56,331</u>
	<u>\$ 115,228</u>	<u>\$ 112,662</u>

Participating employers in the Plan, including the Incorporated Hamlet of Tuktoyaktuk are required to make contributions to the plan of 8% (2016 - 8%) of pensionable earnings, and to remit employee contributions of 8% (2016 - 8%). These contributions cover current service costs and a provision for adverse deviation.

The Plan is governed by the *Northern Employee Benefits Services Pension Plan Act* (in force October 1, 2015) (the Act) and a plain text document maintained by the administrator of the Plan. Both the Act and the Plan text document provide that participating employers are liable for their share of any funding shortfalls in the Plan as determined on a going concern basis, and on Plan windup. The Act and the Plan text document provide any going concern shortfalls, should they arise, are to be paid down over no more than 15 years and that contribution rates may be increased if necessary to do so.

Pursuant to the Act, the Plan is exempt from compliance with the *Pension Benefits Standards Act, 1985* (PBSA) and is not required to be funded on a solvency basis.

As at January 1, 2017, the NEBS Pension Plan had a going concern surplus of \$18,500,000 (2016 - \$12,500,000) and a funded ratio of 111% (2016 - 109%). The Plan serves 2600 employee members and 99 participating employers.

NOTE 17 BUDGET

The budget information presented in these financial statements was approved by Council on March 23, 2016 and is unaudited.

NOTE 18 RELATED PARTY TRANSACTIONS

During the reporting year, a new council member was elected, whose husband is the garbage contractor for the Hamlet. Transactions between the contractor and the Hamlet are limited to the provision of garbage collection services, and average \$70,000 annually. The terms and conditions of the transactions have not changed since the council member was elected (i.e. they are identical to the arm's length terms and conditions that existed before the two parties became related). Outstanding balances were under \$7,000 at year-end, and the contract will expire March 31, 2022.

INCORPORATED HAMLET OF TUKTOYAKTUK

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2017

NOTE 19 STATUTORY REQUIREMENTS OUTSTANDING

The following sections of the Hamlets Act have not been fully complied with:

- a) Section 72 of the Hamlets Act refers to bylaws for municipal purposes and the enforcement of its bylaws. The Hamlet is not in compliance with all of its bylaws.
- b) Section 99 (2) of the Hamlets Act requires that the Hamlet shall eliminate any deficit at the end of a fiscal year by the end of the next fiscal year. The Hamlet did not eliminate the deficit in the Water and Sewage Fund from the previous year.

SCHEDULE I

INCORPORATED HAMLET OF TUKTOYAKTUK

TANGIBLE CAPITAL ASSETS

For the Year Ended March 31, 2017

	Land and Improvements	Buildings and Building Improvements	Machinery & Equipment	Transportation Equipment	Other	Current year	Prior year
COST:							
Balance, opening	\$ 80,633	\$ 9,891,219	\$ 1,959,374	\$ 1,614,139	\$ 4,399,020	\$17,944,385	\$17,089,456
Acquisition of tangible capital assets	-	239,794	152,258	216,539	46,075	654,666	401,975
Construction-in-progress	-	-	-	-	121,025	121,025	452,954
Disposal of tangible capital assets	-	-	(136,363)	(188,543)	-	(324,906)	-
Writedown of tangible capital assets	-	-	-	(19,673)	-	(19,673)	-
Balance, closing	<u>80,633</u>	<u>10,131,013</u>	<u>1,975,269</u>	<u>1,622,462</u>	<u>4,566,120</u>	<u>18,375,497</u>	<u>17,944,385</u>
ACCUMULATED DEPRECIATION:							
Balance, opening	70,792	5,528,291	1,403,313	1,111,004	1,850,559	9,963,959	9,505,142
Annual depreciation	1,371	282,539	102,522	95,071	5,217	486,720	458,817
Accumulated depreciation on disposals	-	-	(136,363)	(168,543)	-	(304,906)	-
Balance, closing	<u>72,163</u>	<u>5,810,830</u>	<u>1,369,472</u>	<u>1,037,532</u>	<u>1,855,776</u>	<u>10,145,773</u>	<u>9,963,959</u>
Net book value	<u>\$ 8,470</u>	<u>\$ 4,320,183</u>	<u>\$ 605,797</u>	<u>\$ 584,930</u>	<u>\$ 2,710,344</u>	<u>\$ 8,229,724</u>	<u>\$ 7,980,426</u>

Included in the total cost of Other as at March 31, 2017 is accumulated construction in progress totalling \$2,651,812 (2016 - \$2,530,787). Also, included in Buildings and Building Improvements as at March 31, 2017 is accumulated construction in progress totalling \$0 (2016 - \$92,200). Such costs are not depreciated until construction is completed.